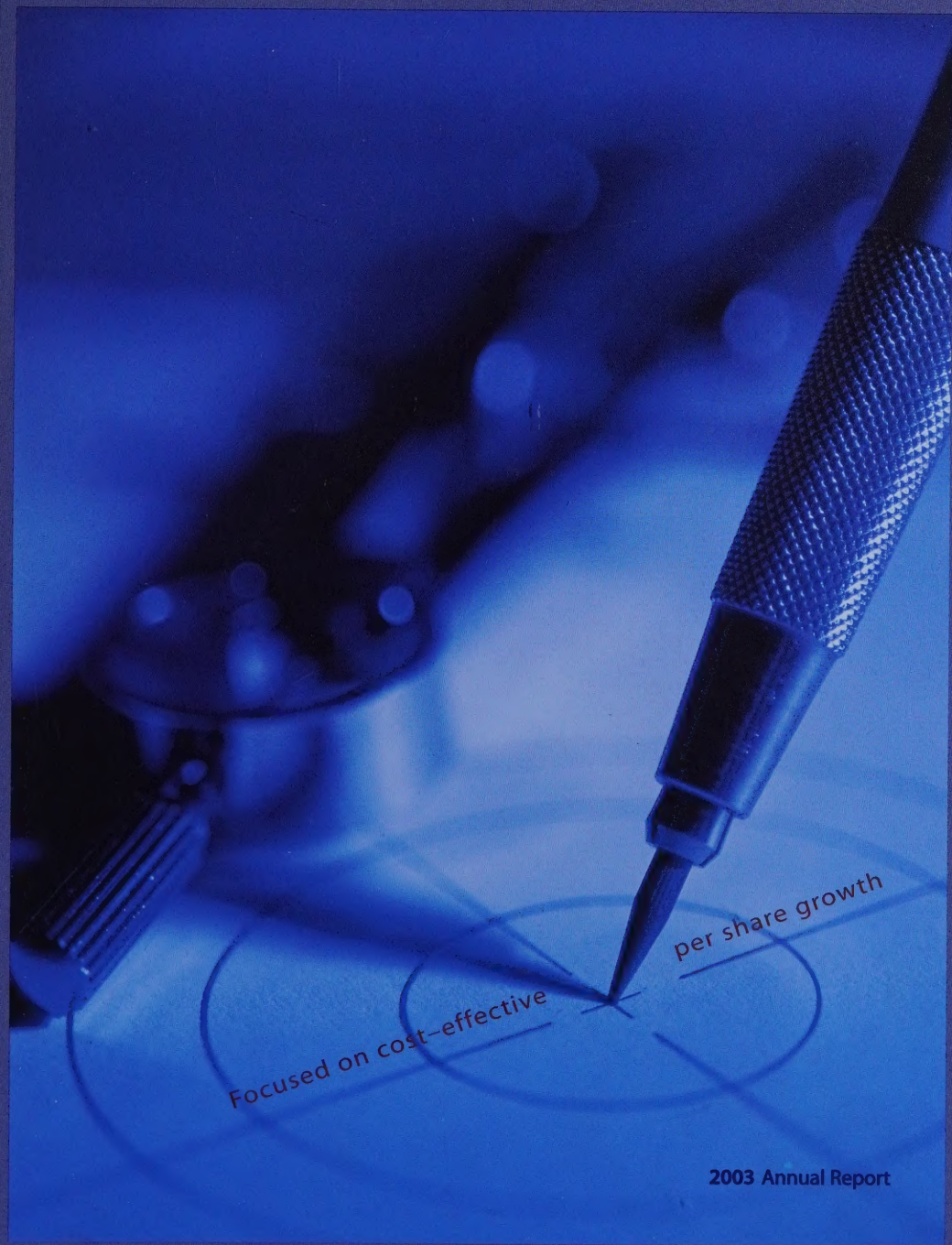




2003 Annual Report

Corporate Profile

An Integrated Approach to Growth

StarPoint Energy Ltd. is a rapidly expanding junior oil and natural gas company based in Calgary, Alberta. The Company's business strategy involves an integrated approach to per share growth in reserves, production and cash flow through acquisitions, exploitation and exploration. StarPoint has a strong balance sheet and an inventory of more than 100 drilling locations for multi-zone natural gas and light oil.

Company Definition

Throughout the Annual Report, StarPoint Energy Ltd. is referred to as "StarPoint," or the "Company."

**Focused on cost-effective, per share growth
in reserves, production and cash flow.**

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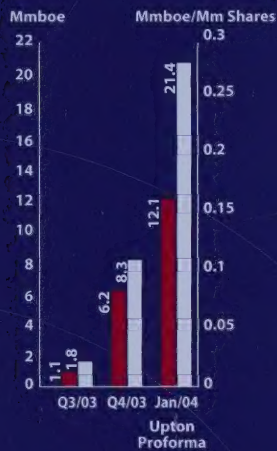
Notice of Annual and Special General Meeting

The Annual and Special Meeting of shareholders of StarPoint will be held at 2:00 p.m. (MST) on Thursday, May 27, 2004 in the Mayfair room of the Westin Hotel of Calgary, 320-4 Avenue S.W. Shareholders are encouraged to attend the meeting. Those unable to attend are urged to complete, sign and return their form of proxy mailed with this report at least 48 hours prior to the meeting.

Forward-Looking Statements

This document may contain forward-looking statements, including statements relating to management's approach to operations, expectations relating to the number of wells, amount and timing of capital projects, interest rates, worldwide and industry production, prices of oil and natural gas, Company production, cash flow and debt levels. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by StarPoint at the time of preparation, may prove to be incorrect.

Reserves per Share



■ Total Proved (Mmboe)
 ■ Total Proved plus Probable (Mmboe)

Average Daily Production



■ Production (Boepd)

An integrated approach to growth:

acquisitions,

exploitation,

and exploration.



President's Message

To Our Shareholders,

On September 5, 2003 StarPoint initiated operations as a publicly-traded, Canadian junior oil and natural gas company. StarPoint was created in connection with the Plan of Arrangement (the "Plan") between Crescent Point Energy Ltd. ("Crescent Point") and Tappit Resources Ltd. ("Tappit"). Pursuant to the Plan, shareholders of both Crescent Point and Tappit received units in a newly formed energy trust, Crescent Point Energy Trust and common shares of StarPoint, a new junior oil and natural gas company.

The Company's achievements in its first four months of operation include the following:

- Transferred certain producing and exploration natural gas assets in the Sikanni/Cypress area of northeast British Columbia into StarPoint pursuant to the Plan;
- Initiated trading of the Company's common shares on the Toronto Stock Exchange on September 10, 2003;
- Closed two private placements of equity capital for gross proceeds of \$48 million;
- Executed three acquisitions (two private companies and one asset acquisition) involving high-quality, long-life natural gas and light oil reserves in northeast British Columbia and southeast Saskatchewan, all of which closed in late 2003;
- Announced the acquisition of all of the outstanding shares of Upton Resources Inc. ("Upton"), a publicly traded oil and natural gas company with assets located primarily in southeast Saskatchewan, for a purchase price of approximately \$129 million; and
- Issued \$10 million of flow-through common shares at an issue price of \$4.20 per share.

Business Strategy

StarPoint management has created a well-defined business strategy to capture opportunities necessary to provide per share growth. The Company's corporate strategy involves the following key principles:

- Attract and retain top quality technical staff with proven track records;
- Focus on cost-effective, per share growth in reserves, production and cash flow;



- Utilize an integrated approach to growth by balancing exploration drilling risk with solid acquisitions and exploitation opportunities;
- Focus the Company's asset base on long-life natural gas and light oil reserves;
- Adhere to strict cost controls; and
- Maintain a solid balance sheet and a conservative debt to forward cash flow ratio.

Management believes that this business strategy allows StarPoint to effectively compete for capital and assets in the maturing Western Canada Sedimentary Basin.

Industry Conditions

Generally speaking, industry fundamentals for the Canadian oil and natural gas sector were very strong in 2003.

In 2003, world crude oil prices averaged US\$30.99 WTI per barrel, significantly above the historical average. Crude oil inventories remain low due to strong Asian demand, the slow return of Iraqi oil production to market, and OPEC's aggressive management of production quotas. These factors, together with the weakening of the US dollar and the continued threat of international terrorism, have provided a basis to keep crude oil prices high into 2004.

Natural gas prices, which are determined continentally, averaged US\$5.49 per Mmbtu in 2003 based on the NYMEX index price benchmark. Low storage levels and concerns surrounding North American supply fundamentals have continued to provide support for strong natural gas prices into 2004.

The prime interest rate in Canada remained low in 2003, averaging 4.69% per annum. It is expected that Canadian interest rates will remain low in 2004.

The US/Canadian dollar exchange rate was \$0.77 per Canadian dollar at December 31, 2003. The appreciation in the Canadian dollar was primarily a result of the weakening US dollar based on the economic slowdown in the United States.



Corporate Governance

StarPoint's Board of Directors ("Board"), working together with management, strives to ensure that the Company's corporate governance practices provide effective stewardship and efficient operation of the Company in the best interests of its shareholders.

The Board, which functions independent of management, meets throughout the year to consider a wide range of issues affecting StarPoint, including strategic direction, compensation, reserves, financial performance and disclosure. The Board reviews strategic plans proposed by management, business risks facing the Company and management's assessment of those risks.

Outlook – 2004 Guidance

StarPoint's prospects for continued per share growth in reserves, production and cash flow are excellent.

In only eight months of operation, StarPoint has positioned the Company with a base of operated, long-life natural gas and light oil reserves and production. Since its inception, StarPoint has spent approximately \$230 million of capital to grow an exciting junior oil and natural gas company that has the following key characteristics:

- High-quality assets, strategically focused in just three areas – with operatorship (more than 90%) and high working interests (averaging more than 65%);
- More than 21.4 Mmboe of proved plus probable light oil and natural gas reserves (post-Upton acquisition; at January 1, 2004), independently evaluated under National Instrument 51-101;
- A reserve life index of more than eight years based on the Company's 2004 average daily production estimate of 6,900 boepd;
- Current production of more than 7,000 boepd, balanced 60% to light oil and 40% to natural gas;
- An internal inventory of more than 100 drilling locations, providing for risked development drilling additions of more than 5 Mmboe of reserves, and more than 3,500 boepd of production;



- An excellent balance sheet with significant unutilized credit availability, and a debt to forward cash flow ratio of less than one times; and
- More than \$125 million of tax pools.

Since closing the Upton acquisition, StarPoint has experienced excellent drilling results on its core assets. This drilling success has already enabled the Company to revise upward its 2004 average daily production estimate from 6,450 boepd to 6,900 boepd, and its 2004 production exit rate from 6,900 boepd to more than 7,400 boepd.

With current production already in excess of 7,000 boepd, StarPoint remains well-positioned to meet or exceed these upwardly revised estimates.

At this time, I would like to extend a sincere thanks to StarPoint's employees and consultants who work hard to implement the Company's business strategy, and deliver cost-effective, per share growth.

On behalf of the Board of Directors,

Paul Colborne

President and Chief Executive Officer

April 2, 2004

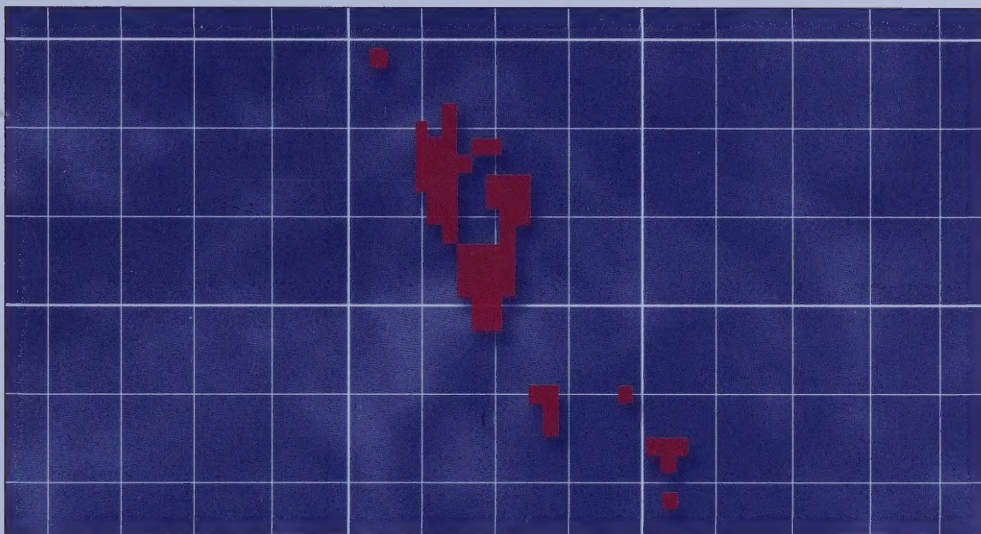
Exploration and Operations Review



Strategy

StarPoint management has a well-defined business strategy that is designed to capture growth opportunities. The Company's goal is to compete effectively for capital and assets in the maturing Western Canada Sedimentary Basin, while at the same time, delivering solid per share growth in reserves, production and cash flow.

Core Areas



Sikanni/Cypress, British Columbia

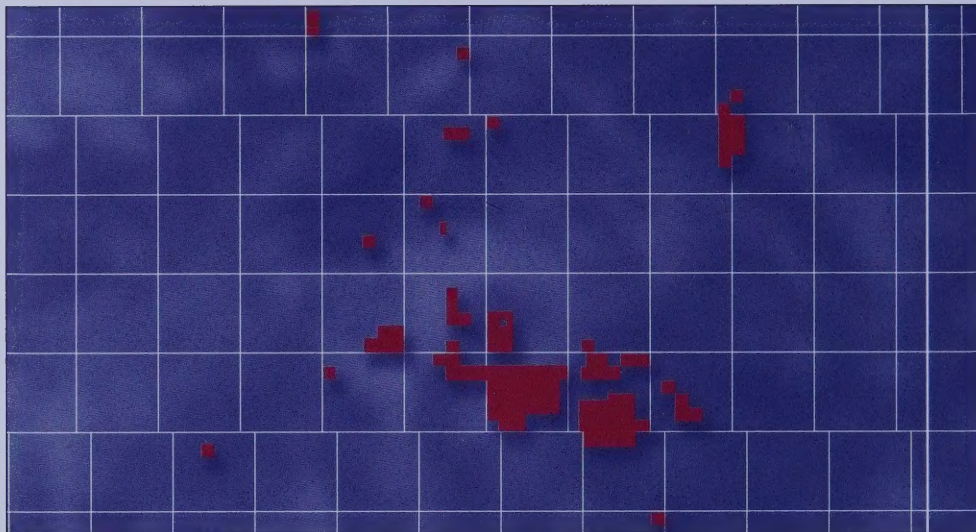
In conjunction with management's natural gas exploration strategy, StarPoint continues to experience excellent success in relation to the Company's emerging, high-impact, multi-zone natural gas play in the Sikanni/Cypress area of northeastern British Columbia.

In September 2003 (through the Plan of Arrangement) StarPoint acquired all of Crescent Point's assets in the Sikanni/Cypress area. These assets included one (0.5 net) producing well, one (0.5 net) suspended well and three (1.5 net) cased wells. These five wells collectively tested more than 30 Mmcfd gross (15 Mmcfd net) of natural gas production from multiple horizons. StarPoint also acquired 39,439 acres (13,663 net acres) of highly prospective undeveloped land on this play. As a result, StarPoint gained operatorship and a 35% average working interest in an exciting natural gas prone exploration play with proven multi-zone natural gas potential.

Using an extensive grid of high-quality 2D seismic, multiple prospect fairways have been mapped, and over 30 seismically-defined follow-up locations (11 net) have been identified on StarPoint lands.

In the last quarter of 2003, StarPoint operated the drilling of three (0.9 net) exploration wells in the Sikanni/Cypress area, resulting in two (0.6 net) cased gas wells and one (0.3 net) dry and abandoned well. The two gas wells tested rates at more than 8 Mmcfd gross (2.4 Mmcfd net) from two distinct Triassic formations. The b-27-G discovery validates a new prospect fairway of natural gas, with three follow-up locations on Company lands.

StarPoint's success rate in the area to date is 75%, and over 35 Mmcfd gross (17 Mmcfd net) of gas has been tested from multiple horizons since the exploration program commenced in August of 2002. The Company's land base has also been expanded and currently encompasses 47,019 gross acres (17,137 net acres) of land.



Fort St. John, British Columbia

In October of 2003, StarPoint identified the acquisition of a private Alberta company, Cougar Hydrocarbons Inc. ("Cougar"). Cougar's producing assets were focused in the Fort St. John/West Peace River Arch area of northeastern British Columbia. This area is known for its high-quality, multi-zone, long-life natural gas and light oil reservoirs.

On closing the acquisition on November 7, 2003, StarPoint also added a working interest in four gas plants (two operated), associated pipelines and infrastructure, and a land base of 60,470 (33,189 net) acres. Also included was a large exploration joint venture with an intermediate independent petroleum company, comprising approximately 85,000 acres of undeveloped land, and providing access to six 3D seismic surveys and over 500 miles of 2D seismic data on a prospect-specific basis. StarPoint operates the majority of its wells in this area and has an average working interest of 47%.

In the fourth quarter of 2003, StarPoint continued with aggressive development of its Fort St. John assets. The Company successfully drilled and completed five (2.4 net) gas wells for a 100% success rate and realized gross production additions of approximately 4 Mmcfd gross (1.7 Mmcfd net). In addition, several recompletions were performed on existing wells, providing an additional 2.5 Mmcfd of gross (1.3 Mmcfd net) gas production which will be brought on-stream in the second quarter of 2004.

StarPoint also expanded its Fort St. John land base in the fourth quarter of 2003, adding 2,560 (1,604 net) acres of land, and three locations to an inventory of more than 35 gross (15.0 net) locations.

The Company also undertook an extensive review of its existing facilities in the area, identifying several compression and facility upgrading opportunities. Work is currently underway, with completion expected in April of 2004.

2004 Exploration and Development Strategy

StarPoint's acquisition of Upton closed on January 27, 2004. Strategically, management plans to utilize the cash flow from Upton's light oil production base in southeast Saskatchewan to fund growth in the Company's operated multi-zone natural gas plays at Sikanni/Cypress and Fort St. John in northeastern British Columbia.

StarPoint has budgeted 2004 capital expenditures of approximately \$39 million (net of acquisitions) for drilling, land and seismic.

In 2004, StarPoint has already participated in the drilling of 17 (9.6 net) wells with an overall success rate of 88%. The Company plans on drilling up to 39 (23.5 net) wells on both its core and emerging areas throughout the rest of the year.

Sikanni/Cypress, British Columbia

In the Sikanni/Cypress area, StarPoint drilled and abandoned one exploration well (0.5 net) in the first quarter of 2004. To capitalize on British Columbia's summer drilling incentives, drilling operations for the remaining eight operated wells are planned to commence in the third quarter, targeting multi-zone gas reservoirs. Six wells will be exploratory and two are exploitation wells which will step out from existing discoveries.

Infrastructure and tie-in construction is ongoing in the Sikanni/Cypress area at this time. StarPoint's current production from this area is approximately 8 Mmcfd gross (4 Mmcfd net) which is tied into the Anadarko Cypress plant. An additional 4 Mmcfd of gas production (2 Mmcfd net) is expected to be on-stream in early May 2004 utilizing the Duke Sikanni plant.

StarPoint's drilling success at Sikanni/Cypress has brought development to the point where plans are now being formulated by StarPoint and its partners to construct a gas plant in the area. Contingent on plans being finalized and approved, construction would commence in the fourth quarter of 2004.

StarPoint plans on expanding its core land base in the Sikanni/Cypress area in 2004 through Crown land sales in addition to strategic acquisitions and/or farm-ins.

Fort St. John, British Columbia

To date in 2004, StarPoint has successfully drilled and cased four of five wells in the Fort St. John, British Columbia area, for an overall success rate of 80%. The four (2.3 net) cased wells are presently being tested and have indicated natural gas and light oil potential in 10 zones.

The Company plans to continue growing its production base in the Fort St. John area by drilling 12 (5.6 net) additional wells, targeting multi-zone natural gas and light oil reservoirs. The majority of these wells will be drilled in the third quarter to also take advantage of British Columbia's summer drilling incentives. The Company also plans an aggressive recompletion program for 2004, with as many as 10 workovers and/or recompletions identified, most of which will be operated.

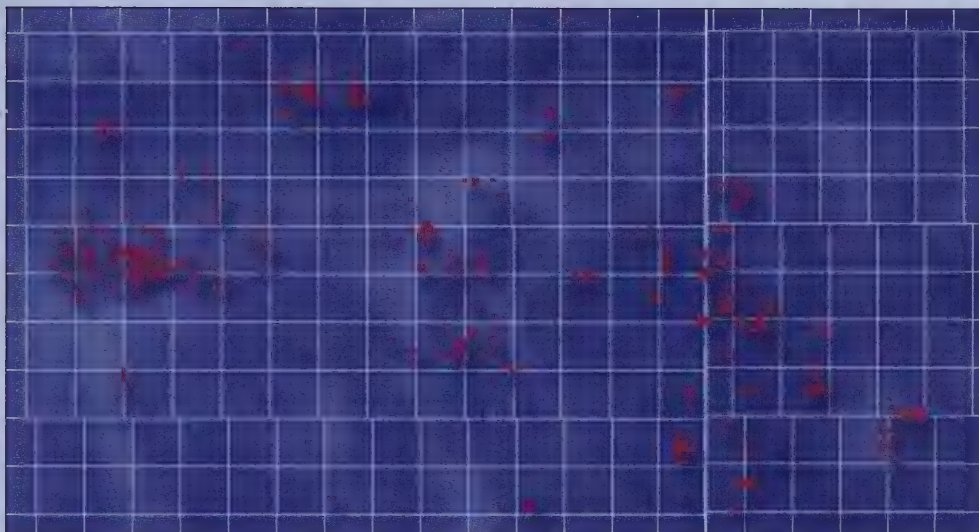
In 2004, StarPoint will continually review its gas plant capacities in the area and upgrade facilities to keep pace with new gas production provided by the drilling program. The Company has expanded compression at the 4-9-83-18W6 Fort St. John plant site, which will add up to 6 Mmcfd gross (3.6 Mmcfd net) of additional gas processing capacity to the existing 6 Mmcfd gross (1.6 Mmcfd net) volume capability by late April 2004. StarPoint will also increase compression at the 15-4-84-19W6 Wilder plant site by early summer, which will provide up to 3 Mmcfd gross (1.5 Mmcfd net) of additional capacity to the existing 4.2 Mmcfd gross (2.1 Mmcfd net) volume capability. This additional processing capacity can be utilized to tie-in recent drilling successes and recompletions in the Wilder Halfway pool. With these expansions in plant capacity, StarPoint will bring on an additional total 9 Mmcfd gross (3.6 Mmcfd net) of gas production volumes, which have already been identified by recent wells and are currently shut-in.

StarPoint will continue to generate new prospects in the Fort St. John area and strive to capture these opportunities through Crown land purchases augmented with acquisitions, strategic joint ventures and/or farm-ins.

Paddle River, West Central Alberta

In the third quarter of 2003, StarPoint and its partners entered into a 22,500 acre farm-in agreement with an intermediate oil and gas producer. This emerging shallow gas play in the Paddle River area of west central Alberta is targeting gas bearing channel sands of the upper Cretaceous Edmonton and Belly River. Drill depths range between 300 and 850 meters, with potential for stacked multiple reservoir sands to develop in each well. The area has year-round access and is located near a gas plant with ample available capacity.

In January/February 2004, three (1.0 net) earning wells were drilled and cased in the Paddle River area of west central Alberta. Completion operations are underway. Contingent on success, StarPoint has identified a further 20 gross drilling locations and anticipates further drilling operations will commence in the fourth quarter of 2004. In addition to the farm-in acreage, StarPoint is pursuing available Crown acreage in the general area and complementary acquisitions. An additional 1,280 acres of land (640 net) were purchased in early 2004.



Southeast Saskatchewan

With the strategic acquisition of Upton, StarPoint secured operatorship and significant working interests in high-quality, high-netback light oil production in southeast Saskatchewan.

StarPoint's southeast Saskatchewan oil production comes mainly from Mississippian-aged reservoirs in the Madison Group. The major producing horizons include the Midale and Frobisher/Kisbey/Alida formations.

The majority of these assets are located in areas exemplified by low-cost drilling, year round access, abundant infrastructure, and low-risk, shallow-depth Mississippian oil pools. These properties provide a stable production and low operating cost cash flow base to help fund development of the Company's core natural gas producing areas in British Columbia.

StarPoint plans to drill approximately 15 operated wells in southeast Saskatchewan in 2004. In the first quarter of 2004, the Company drilled five (4.0 net) successful development wells resulting in a 100% success rate. Four of the wells have been completed to date, and initial production from these wells is more than 600 bopd net to StarPoint.

Drilling operations will resume in the second quarter of 2004 and continue throughout the year. Additionally, three 3D seismic programs will be acquired at Whitebear, Heward and Souris Flats to provide additional low-risk development locations to the Company's existing 25 well inventory.

Outlook

Already in 2004 StarPoint has experienced excellent drilling success on its core assets, resulting in an upward revision to the Company's 2004 average daily production estimate from 6,450 boepd to 6,900 boepd, and its 2004 production exit rate estimate from 6,900 boepd to more than 7,400 boepd.

Current production is in excess of 7,000 boepd and with more than 800 boepd of behind pipe production, StarPoint remains well positioned to meet or exceed its upwardly revised estimates.

Operations Statistical Review

Drilling Program

StarPoint drilled a total of eight wells from September to year-end, achieving an overall success rate of 88%. Of these wells, three were exploratory and five were classified as development.

The following table summarizes the Company's 2003 exploration and development drilling results:

Area	Gas	Oil	D&A	Total	Net	Success
Cypress, British Columbia	2	0	1	3	1.1	67%
Fort St. John, British Columbia	5	0	0	5	2.4	100%
Total	7	0	1	8	3.5	88%

Production

Production averaged 1,421 boepd for the three months ended December 31, 2003, an increase of 444%, which is up from the September average of 261 boepd. Annual production was replaced by more than 50 times based on independently engineered proved plus probable reserves.

Land Holdings

During 2003 StarPoint was successful in growing its two high-impact, northeast British Columbia natural gas exploration areas at Sikanni/Cypress and Fort St. John. Over the year, StarPoint witnessed a 150% increase in the Company's total net undeveloped acres in these key areas. With the acquisition of Cougar, StarPoint also participates in a significant 85,000 acre (gross) joint venture exploration agreement with an intermediate independent oil and gas company.

Following the Company's strategy of maintaining high working interest and operatorship, StarPoint continues to acquire key lands comprising each prospect, thereby allowing the Company to control the play and ensure continued growth and success. Acquisitions will continue to be made through farm-ins and Crown land sales to complement the Company's internal exploration and exploitation opportunities.

The Company's undeveloped land holdings are summarized below:

Acreage Summary

	Sept. 5, 2003	Dec. 31, 2003
Total gross	39,439	76,525
Total net	13,663	34,517

Reserves

Sproule Associates Ltd. ("Sproule") prepared the Sproule Report in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). The Sproule Report evaluated, as at January 1, 2004, StarPoint's oil, natural gas liquids and natural gas reserves. As of January 1, 2004 StarPoint did not have any heavy oil reserves, therefore reference to heavy oil has been excluded from all tables. It is further noted that as the Upton acquisition closed in January 2004, no Upton reserve estimates are included in the Sproule Report.

The tables below are a summary of the oil, natural gas liquids and natural gas reserves of StarPoint and the net present value of future net revenue attributable to such reserves as evaluated in the Sproule Report, based on constant and forecast price and cost assumptions. The tables summarize the data contained in the Sproule Report, and as a result may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

The term "boe" (barrel of oil equivalent) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Gross reserves are Company gross reserves, which are the Company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company. Net reserves are the Company's working interest (operating or non-operating) share after deduction of royalty obligations plus the Company's royalty interests in reserves.

The net present value of future net revenue attributable to StarPoint's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by Sproule. It should not be assumed that the undiscounted or discounted net present value of

future net revenue attributable to StarPoint's reserves estimated by Sproule represents the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of StarPoint's oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

Summary of Oil and Natural Gas Reserves – Forecast Prices and Costs

	Light and medium crude oil (Mbbbls)	Natural gas liquids (Mbbbls)	Natural gas (Mmcft)	Total boe (Mboe)
Gross reserves				
Proved				
Developed producing	210.0	84.8	11,355	2,187.3
Developed non-producing	0.0	8.6	3,327	563.2
Undeveloped	416.1	42.3	8,366	1,852.7
Total proved	626.1	135.7	23,048	4,603.1
Probable	375.7	103.7	21,427	4,050.6
Total proved plus probable	1,001.8	239.4	44,475	8,653.7
Net reserves				
Proved				
Developed producing	190.4	65.3	8,410	1,657.3
Developed non-producing	0.0	6.9	2,331	395.4
Undeveloped	365.7	33.8	6,273	1,444.9
Total proved	556.0	106.1	17,014	3,497.6
Probable	342.1	82.1	16,126	3,111.8
Total proved plus probable	898.1	188.1	33,139	6,609.4

Net Present Value of Future Net Revenue – Forecast Prices and Costs

	Before future income tax expenses and discounted at				
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved					
Developed producing	36,601	31,135	27,517	24,938	22,996
Developed non-producing	2,729	2,080	1,575	1,174	852
Undeveloped	24,808	19,254	15,586	12,990	11,056
Total proved	64,138	52,469	44,677	39,103	34,904
Probable	70,498	44,813	32,631	25,556	20,908
Total proved plus probable	134,636	97,283	77,308	64,659	55,812

	After future income tax expenses and discounted at				
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved					
Developed producing	34,029	28,436	24,838	22,301	20,403
Developed non-producing	(87)	(557)	(898)	(1,151)	(1,344)
Undeveloped	18,611	13,863	10,755	8,577	6,968
Total proved	52,553	41,742	34,696	29,726	26,027
Probable	45,557	28,320	20,226	15,568	12,527
Total proved plus probable	98,110	70,062	54,922	45,295	38,554

As required by NI 51-101, undiscounted well abandonment costs of \$1.729 million for total proved reserves and \$2.135 million for total proved plus probable reserves are included in the net present value determination.

Pricing Assumptions – Forecast Prices and Costs

Sproule employed the following pricing and exchange rate assumptions as of January 1, 2004 in the Sproule Report in estimating StarPoint's reserves data using constant prices and costs.

Year	WTI Cushing Oklahoma (\$US/Bbl)	Edmonton Par Price 40° API (\$/Bbl)	Cromer Medium 29.3° API (\$/Bbl)	AECO-C Spot (\$/Mmbtu)	Edmonton Pentanes Plus (\$/Bbl)	Inflation rate (%/Yr)	Exchange rate (\$US/\$Cdn)
2004	29.63	37.99	32.99	6.04	38.91	1.5	0.750
2005	26.80	34.24	29.44	5.36	35.07	1.5	0.750
2006	25.76	32.87	28.47	4.80	33.67	1.5	0.750
2007	26.14	33.37	29.07	4.91	34.17	1.5	0.750
2008	26.53	33.87	29.54	4.98	34.69	1.5	0.750
2009	26.93	34.38	30.02	5.05	35.21	1.5	0.750
2010	27.34	34.90	30.51	5.14	35.74	1.5	0.750
2011	27.75	35.43	31.00	5.24	36.28	1.5	0.750
2012	28.16	35.96	31.51	5.33	36.83	1.5	0.750
2013	28.58	36.50	32.02	5.43	37.38	1.5	0.750
2014	29.01	37.05	32.53	5.52	37.95	1.5	0.750
2015	29.45	37.61	33.06	5.62	38.52	1.5	0.750
Thereafter	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	+1.5%/yr	1.5	0.750

Summary of Oil and Natural Gas Reserves – Constant Prices and Costs

	Light and medium crude oil (Mbbbls)	Natural gas liquids (Mbbbls)	Natural gas (Mmcft)	Total boe (Mboe)
Gross reserves				
Proved				
Developed producing	221.3	87.7	11,280	2,188.9
Developed non-producing	0.0	8.7	3,309	560.1
Undeveloped	416.1	42.3	8,366	1,852.7
Total proved	637.4	138.6	22,955	4,601.7
Probable	411.6	105.4	21,519	4,103.6
Total proved plus probable	1,049.0	244.0	44,474	8,705.3
Net reserves				
Proved				
Developed producing	201.4	67.3	8,373	1,664.3
Developed non-producing	0.0	6.9	2,328	394.9
Undeveloped	365.2	33.8	6,271	1,444.2
Total proved	566.6	108.1	16,973	3,503.5
Probable	376.9	83.3	16,184	3,157.4
Total proved plus probable	943.5	191.3	33,157	6,660.8

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Net Present Value of Future Net Revenue – Constant Prices and Costs

	Before future income tax expenses and discounted at				
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved					
Developed producing	46,398	39,067	34,201	30,727	28,109
Developed non-producing	5,003	4,029	3,274	2,678	2,199
Undeveloped	36,104	28,478	23,397	19,776	17,063
Total proved	87,505	71,574	60,872	53,181	47,371
Probable	86,310	57,153	42,425	33,556	27,607
Total proved plus probable	173,815	128,727	103,298	86,737	74,978

	After future income tax expenses and discounted at				
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved					
Developed producing	42,343	34,963	30,208	26,856	24,353
Developed non-producing	967	361	(86)	(425)	(687)
Undeveloped	22,313	17,025	13,565	11,130	9,323
Total proved	65,623	52,350	43,687	37,562	32,989
Probable	51,804	33,694	24,679	19,299	15,707
Total proved plus probable	117,427	86,044	68,366	56,861	48,696

Pricing Assumptions – Constant Prices and Costs

Sproule employed the following pricing and exchange rate assumptions as of January 1, 2004 in the Sproule Report in estimating StarPoint's reserves data using constant prices and costs.

Edmonton Par Price 40° API (\$/Bbl)	Cromer Medium 29.3° API (\$/Bbl)	AECO-C Spot (\$/Mcf)	Sask. (\$/Mcf)	B.C. Westcoast Stn. 2 (\$/Mcf)	Butanes (\$/Bbl)	Pentanes Plus (\$/Bbl)	Exchange rate (\$US/\$Cdn)
40.18	36.34	6.86	2.44	5.93	39.17	39.17	0.750

More detailed information is contained in the Annual Information Form of the Company for the period ended December 31, 2003, which is available on SEDAR at www.sedar.com.

Management's Discussion and Analysis



The following discussion and analysis should be read in conjunction with the Company's financial statements for the period ended December 31, 2003. Additional information relating to the Company, including its Annual Information Form is on SEDAR at www.sedar.com.

Highlights

	Three months ended Dec. 31, 2003	Period ended Dec. 31, 2003
Financial (\$000s)*		
Gross production revenue	4,337	4,588
Cash flow from operations**	2,134	2,231
Per share – basic	\$ 0.04	\$ 0.05
Per share – diluted	\$ 0.04	\$ 0.05
Net loss	(164)	(551)
Per share – basic	\$ 0.00	\$ (0.01)
Per share – diluted	\$ 0.00	\$ (0.01)
Net debt, including working capital deficit	12,629	12,629
Weighted average shares outstanding		
Basic	47,457	40,849
Diluted	47,475	40,867
Total shares outstanding	52,093	52,093
Operations*		
Production		
Gas – Mcfpd	7,429	6,242
Oil and NGLs – bblpd	183	144
Oil equivalent – boepd @ 6:1	1,421	1,184
Production prices (\$Cdn)		
Gas – \$/Mcf	\$ 5.42	\$ 5.40
Oil and ngl – \$/bbl	\$ 37.41	\$ 37.41
Oil equivalent – \$/boe	\$ 33.17	\$ 33.11
Wells drilled		
Gross	8	8
Net	3.5	3.5
Success rate (percent)	88%	88%

Operating results of Cougar and X-Terra Energy Corp. ("X-Terra") commenced November 7, 2003 and October 31, 2003, respectively, the closing dates of the two corporate acquisitions.

* There are no comparative numbers as the Company began active operations September 5, 2003.

** Cash flow from operations should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. StarPoint's determination of cash flow from operations which is calculated by adding non-cash items being depletion and depreciation, accretion of asset retirement obligation, future income taxes and stock based compensation to net loss for the period, may not be comparable to that found in the consolidated statements of cash flows. The Company also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

Overview

StarPoint commenced operations on September 5, 2003 when certain assets of Crescent Point were transferred to StarPoint under a Plan of Arrangement dated July 22, 2003 between Crescent Point and Tappit. The Plan of Arrangement resulted in shareholders of Crescent Point and Tappit becoming unitholders of Crescent Point Energy Trust and shareholders of StarPoint. The financial information in this report comprises only the operating results for StarPoint for the three months ended December 31, 2003 and for the period from commencement of operations on September 5, 2003 to December 31, 2003, with no comparative information.

The operating results of Cougar and X-Terra commenced November 7, 2003 and October 31, 2003, respectively, the closing dates of the two corporate acquisitions.

Sales Volumes

Sales volumes for the three month period ended December 31, 2003 averaged 1,421 boepd, an increase of 444% over the September average of 261 boepd. Natural gas volumes increased 375% to average 7.4 Mmcfpd for the three months with new production being added from the Company's core area of northeast British Columbia through the acquisition of Cougar on November 7, 2003. Oil and natural gas liquids increased to an average of 183 bopd for the three months from nil in the September 2003 average, as a result of the Company's acquisition of X-Terra on October 31, 2003. Sales volumes for the period from September 5, 2003 to December 31, 2003 averaged 1,184 boepd consisting of 6.2 Mmcfpd of natural gas and 144 bopd of oil and natural gas liquids.

Revenues

Oil and natural gas revenue for the three months ended December 31, 2003 was \$4.3 million consisting of \$0.6 million from oil and natural gas liquids sales and \$3.7 million from natural gas sales. Revenue for the period from September 5, 2003 to December 31, 2003 was \$4.6 million comprised of \$0.6 million from oil and natural gas liquids sales and \$4.0 million from natural gas sales. The Company's corporate average price was \$33.17 per boe, net of transportation costs, for the three months and \$33.11 per boe, net of transportation costs, for the period September 5, 2003 to December 31, 2003.

Royalties

Royalty expense for the fourth quarter ended December 31, 2003 was \$1.1 million representing 26% of revenue. Total royalty expense from September 5, 2003 to December 31, 2003, was \$1.2 million or 26% of revenue.

Operating Expenses

Operating expenses for the three months ended December 31, 2003 were \$653,000 or \$4.99 per boe and for the period September 5, 2003 to December 31, 2003, operating expenses were \$700,000 or \$5.05 per boe.

Operating Netback

	Three months ended Dec. 31, 2003 (\$/boe)	Period ended Dec. 31, 2003 (\$/boe)
Revenue	33.17	33.11
Royalties	8.69	8.63
	24.48	24.48
Operating expenses	4.99	5.05
Operating netback	19.49	19.43

General and Administrative Expenses

General and administrative expenses for the three months ended December 31, 2003 were \$400,000 or \$3.06 per boe and for the period September 5, 2003 to December 31, 2003 were \$426,000 or \$3.07 per boe.

Stock Based Compensation

The Company adopted the new accounting standard for stock based compensation whereby an expense is recorded over the options' vesting period using the fair value method. The stock based compensation expense for the three months ended December 31, 2003 was \$90,000 or \$0.69 per boe and \$491,000 or \$3.55 per boe for the period from September 5, 2003 to December 31, 2003.

Interest

Interest income of \$72,000 or \$0.55 per boe for the three months ended December 31, 2003 relates to interest earned on cash balances, net of interest expense on the demand operating facility. For the period September 5, 2003 to December 31, 2003, interest income was \$75,000 or \$0.54 per boe.

Depletion and Depreciation

The provision for depletion and depreciation, including the accretion expense relating to the asset retirement obligation liability, was \$2.1 million or \$15.75 per boe for the three months ended December 31, 2003 and for the period from September 5, 2003 to December 31, 2003 was \$2.1 million or \$15.46 per boe.

The Company early adopted the new accounting standard for asset retirement obligations. Under the new standard, the Company is required to record a liability equal to the fair value of the estimated cost to retire an asset. The asset retirement liability must be recorded in the period in which the obligation meets the definition of a liability, which is generally when the asset is placed in service. When the liability is initially recorded, the Company will increase the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related long-lived asset. Any difference between costs incurred upon settlement of an asset obligation and the recorded liability will be recognized as a gain or loss in the Company's earnings.

Income Taxes

Current taxes are comprised of estimates for the Company's Large Corporations Tax and Saskatchewan Capital Tax. For the three month period ended December 31, 2003 income taxes incurred were \$87,000 or \$0.66 per boe and for the period from September 5, 2003 to December 31, 2003, they were \$110,000 or \$0.79 per boe.

Liquidity and Capital Resources

On December 3, 2003 the Company issued 2.4 million common shares at \$4.20 per share for gross proceeds of \$10.0 million.

At December 31, 2003 the Company had 52,092,847 common shares outstanding and 2,214,500 stock options outstanding.

On January 30, 2004 the Company issued 4.5 million common shares at \$4.35 per share for gross proceeds of \$19.6 million.

At April 1, 2004, the Company had 80,326,804 common shares outstanding and 3,504,000 options outstanding.

At December 31, 2003 the Company had a \$23 million demand loan facility with a major Canadian chartered bank. On January 27, 2004 the demand loan facility was increased to \$75 million.

At December 31, 2003 the Company had a net working capital deficit of \$12.6 million.

The following table outlines the capital expenditures for the three months ended December 31, 2003 and for the period from September 5, 2003 to December 31, 2003:

(\$000s)	Three months ended Dec. 31, 2003	Period ended Dec. 31, 2003
Land and seismic	386	392
Drilling and development	6,207	6,862
Acquisitions	49,776	49,887
Other	306	306
	56,675	57,447

Total capital expenditures in 2004, including directly related administrative costs and excluding acquisitions, are expected to be approximately \$39 million. Of this amount, the Company expects to spend about \$34 million on oil and natural gas drilling, facilities and development activities, most notably at Cypress, Fort St. John and on the newly acquired Upton properties. The remaining \$5 million expected expenditures will be spent on land and seismic.

Contractual Obligations and Commitments

The Company has assumed various contractual obligations and commitments in the normal course of our operations and financing activities. These obligations and commitments have been considered when assessing future cash requirements in the Company's analysis of future liquidity.

	Total	<1 Year	1-3 Years	4-5 Years
Revolving demand loan ⁽¹⁾	7,411	7,411	-	-
Operating leases	3,046	748	1,455	843
Total	10,457	8,159	1,455	843

⁽¹⁾ These loans are demand in nature and, pursuant to the Canadian accounting guidelines, are presented as a current liability on the balance sheet. The Company expects that no repayment will be necessary in the foreseeable future.

Critical Accounting Policies

The financial statements have been prepared in accordance with Canadian GAAP. A summary of significant accounting policies is presented in Note 1. Most accounting policies are mandated under Canadian GAAP and therefore do not have the ability to select alternatives. However, in accounting for oil and gas activities, companies have a choice between two acceptable accounting policies: the full-cost and the successful efforts method of accounting.

The Company follows the full-cost method of accounting for oil and natural gas activities. Using the full-cost method of accounting, all costs of acquiring, exploring and developing oil and natural gas properties are capitalized, including unsuccessful drilling costs and administrative costs associated with acquisitions and development.

Under the Company's full-cost method of accounting, an impairment test is applied to the overall carrying value of property, plant and equipment, for a Canada-wide cost centre with the reserves valued using estimated future commodity prices at period end.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make certain judgements and estimates. Changes in these judgements and estimates could have a material impact on the Company's financial results and financial condition. The process of estimating reserves is critical to several accounting estimates. It requires significant judgements based on available geological, geophysical, engineering and economic data. These estimates may change substantially as data from ongoing development and production activities becomes available, and as economic conditions impacting oil and natural gas prices, operating costs and royalty burdens change. Reserve estimates impact net income through depletion, the determination of the asset retirement obligation and the application of an impairment test. The reserve estimates are also used to assess the borrowing base for the Company's credit facility. Revisions or changes in the reserve estimates can have either a positive or negative impact on net income or the borrowing base.

Management's estimates of oil and natural gas prices in determining future cash flows are also critical as these prices are used in the cost centre impairment test. The carrying amount of property and equipment as well as amounts recorded for depletion can be affected by the future price estimates.

Recent Canadian Accounting Related Pronouncements

Standards of Disclosure for Oil and Gas Activities

Effective September 20, 2003, the Alberta Securities Commission implemented NI 51-101, "Standards of Disclosure for Oil and Gas Activities." NI 51-101 is effective for fiscal years that include or end December 31, 2003. The instrument imposes more standardized and more conservative guidelines for reserve estimates. Definitions for disclosure of reserves, net asset value, netbacks and finding and development costs are also provided in the instrument.

Continuous Disclosure Obligations

The Ontario Securities Commission has issued National Instrument 51-102 ("NI 51-102"), "Continuous Disclosure Obligations," effective for interim MD&A disclosures for the first quarter ending March 31, 2004. The instrument outlines enhanced requirements for disclosure in annual and interim financial statements, MD&A and the Annual Information Form ("AIF"). The instrument also proposes shorter reporting deadlines for annual and interim financial statements, MD&A and the AIF.

Full-Cost Accounting Guideline

The Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 16, "Full Cost Accounting" for years beginning on or after January 1, 2004. The new guideline updates reserve definitions to include the standards of NI 51-101, sets criteria for accounting for disposals of properties and defines the method to be used to deplete and depreciate capitalized costs. The guideline also sets standards for presentation and disclosure under full-cost accounting. The Company has early adopted this guideline for the period ended December 31, 2003 to reflect the changes to oil and gas reserve measurement that have resulted from NI 51-101. Adoption of the guideline has not materially affected the Company.

Stock Based Compensation

In September 2003, the CICA amended Handbook section 3870, "Stock Based Compensation and Other Stock Based Payments." The amendment requires that companies recognize an expense in the financial statements for stock based payments based on the fair value method beginning January 1, 2004. The Company has proactively adopted this standard for the period ended December 31, 2003 in accordance with early adoption provisions.

Disclosure of Guarantees

The CICA issued Accounting Guideline 14, "Disclosure of Guarantees" in February 2003. This guideline requires disclosure of all guarantees, their fair value and a description of their nature in the notes to the financial statements. The new guideline is effective for fiscal years beginning on or after January 1, 2003. Adoption did not affect the financial results of the Company for 2003.

Hedging Relationships

Effective for StarPoint's 2004 fiscal year, the new CICA Accounting Guideline 13, "Hedging Relationships," requires that hedging relationships be identified, designated, documented and measured in order for StarPoint to apply hedge accounting. StarPoint was in compliance with this new standard at December 31, 2003, and all hedges will continue to be accounted for using hedge accounting.

Asset Retirement Obligations

In December 2002, the CICA issued Handbook Section 3110, "Asset Retirement Obligations." This standard requires recognition of a liability representing the fair value of the future retirement obligations associated with property, plant and equipment. This fair value is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The standard is effective for all fiscal years beginning on or after January 1, 2004. StarPoint adopted this standard for the period ended December 31, 2003.

Risk Management

StarPoint maintains a commodity price risk management program. It is designed to provide price protection on a portion of future production. Typically, a portion of the pricing upside is surrendered in return for protection against a significant downturn in prices. The program is intended to provide a measure of stability to the Company's cash flow and support towards realizing positive economic returns from StarPoint's capital development and acquisition activities. The Company plans to continue this program in 2004. At the current time StarPoint has two costless collars and six fixed-price hedges in place, as detailed in Note 11 to the financial statements.

Business Conditions and Risks

The business of exploration, development and acquisition of oil and gas reserves involves a number of uncertainties and, as a result, the Company is exposed to a number of risks inherent in the oil and gas industry. Operationally, the Company faces risks that are associated with finding, developing, and producing oil and gas reserves. These include risks associated with drilling, economic risk, environmental and safety concerns, and access to processing facilities. The financial risks that are not within the Company's control include the fluctuations in commodity prices and interest rates.

The Company mitigates risk through the competence of its management team, adequate insurance coverage, and safety and environmental programs that meet or exceed regulations.

Management's Statement of Responsibilities



The accompanying consolidated financial statements of StarPoint Energy Ltd. were prepared by and are the responsibility of management. They have been prepared in conformity with Canadian generally accepted accounting principles. The financial information in the annual report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal accounting controls designed to provide reasonable assurance that all transactions are properly recorded in the Company's book of accounts, that procedures and policies are adhered to and that assets are safeguarded from unauthorized use.

KPMG LLP, an independent firm of chartered accountants, has been engaged, since the inception of the Company, to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion thereon.

The audit committee is composed of four members of the Board of Directors and meets quarterly with the financial officer of the Company. The external auditors of the Company have access to the audit committee to review the planning and scope of testing and to discuss the results of their audited work. The external auditors issue a management letter. On the recommendation of the audit committee, the consolidated financial statements have been approved by the Board of Directors.

Paul Colborne
President and Chief Executive Officer
April 2, 2004

Brett Herman
Vice President, Finance and Chief Financial Officer

Auditors' Report to Shareholders



To the Shareholders of StarPoint Energy Ltd.

We have audited the consolidated balance sheet of StarPoint Energy Ltd. as at December 31, 2003 and the consolidated statements of operations and deficit and cash flows for the period from the commencement of operations on September 5, 2003 to December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and the results of its operations and its cash flows for the period from the commencement of operations on September 5, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

KPMG LLP, Chartered Accountants
Calgary, Alberta
April 1, 2004

Consolidated Balance Sheet



(\$000s)	Dec. 31, 2003
Assets	\$
Current	
Accounts receivable	13,204
	13,204
Property and equipment (Note 4)	78,733
Goodwill (Note 3)	31,764
	123,701
Liabilities	
Current	
Accounts payable and accrued liabilities	18,422
Bank loan (Note 5)	7,411
	25,833
Asset retirement obligation liability (Note 4)	2,052
Future income taxes (Note 8)	12,841
	40,726
Shareholders' Equity	
Share capital (Note 6)	82,793
Contributed surplus (Note 6)	733
Deficit	(551)
	82,975
	123,701
Commitments (Notes 6 and 10)	
Subsequent events (Note 12)	

See accompanying notes to consolidated financial statements.

Ian Dundas

Director

Fred Coles

Director

Consolidated Statement of Operations and Deficit



(\$000s except per share amounts)		Sept. 5, 2003 to Dec. 31, 2003
Revenue		\$
Production		4,588
Royalties		(1,196)
Interest		122
		3,514
Expenses		
Production		700
Interest		47
General and administrative		426
Stock based compensation (Note 6)		491
Depletion and depreciation (Note 4)		2,103
Accretion of asset retirement obligation (Note 4)		39
		3,806
Income (loss) before taxes		(292)
Taxes (Note 8)		
Capital taxes		110
Future taxes		149
		259
Net loss for the period		(551)
Deficit, beginning of period		—
Deficit, end of period		(551)
Net loss per share		
Basic		\$ (0.01)
Diluted		\$ (0.01)
Weighted average number of common shares outstanding		
Basic		40,849
Diluted		40,867

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows



(\$000s)	Sept. 5, 2003 to Dec. 31, 2003
Cash flows related to the following activities	\$
Operating	
Net loss for the period	(551)
Items not effecting cash	
Depletion and depreciation	2,103
Accretion of asset retirement obligation	39
Future income taxes	149
Stock based compensation	491
	2,231
Change in non-cash working capital (Note 9)	(1,445)
	786
Financing	
Bank loan – repayments	(10,332)
Bank loan – drawdowns	7,411
Common shares issued	58,168
Share issue costs incurred	(2,896)
	52,351
Investing	
Property and equipment expenditures	(7,560)
Corporate acquisitions	(49,887)
Change in non-cash working capital (Note 9)	4,310
	(53,137)
Net change in cash and cash equivalents	–
Cash and cash equivalents, beginning of period	–
Cash and cash equivalents, end of period	–

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements



Period ended December 31, 2003

Unless otherwise stated, tabular amounts presented in these notes are in thousands of Canadian dollars.

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from these estimates and assumptions. In the opinion of management, these financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Business and Basis of Presentation

StarPoint is a Calgary based oil and natural gas exploration and production company whose key business activities are focused primarily in British Columbia. The Company was incorporated on July 22, 2003 and commenced operations on September 5, 2003 when a portion of the assets of Crescent Point were transferred into StarPoint under a Plan of Arrangement dated August 21, 2003 (see Note 2). The Plan of Arrangement resulted in the shareholders and option holders of Crescent Point becoming unitholders of Crescent Point Energy Trust and shareholders of StarPoint. StarPoint is a public company and commenced trading on The Toronto Stock Exchange on September 10, 2003.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Cougar Hydrocarbons Inc. and X-Terra Energy Corp.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash in the bank, less outstanding cheques, and deposits with an original maturity of less than three months.

Property and Equipment

(i) Petroleum and Natural Gas Properties

The Company follows the full-cost method of accounting for petroleum and natural gas operations, whereby all costs related to the exploration and development of petroleum and natural gas reserves are capitalized on a country-by-country basis. Such costs include land acquisition costs, costs of drilling both productive and non-

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1. Summary of Significant Accounting Policies (continued)

productive wells, well equipment, flow-line and plant costs, geological and geophysical costs and overhead costs directly related to exploration and development activities.

A significant portion of the Company's activities are conducted jointly with third parties and accordingly, these financial statements only reflect the Company's proportionate interest in these activities.

Gains or losses on sales of properties are recognized only when crediting the proceeds to the recorded costs would result in a change in the depletion and depreciation rate of greater than 20%.

Capitalized costs are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by independent petroleum engineers. The cost of acquiring and evaluating unproven properties are initially excluded from the depletion and depreciation calculation. These properties are assessed periodically for impairment and when proved reserves are assigned to the property or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the costs subject to depletion. For purposes of the depletion and depreciation calculation, proved natural gas reserves and production are converted to equivalent volumes of crude petroleum based on their approximate relative energy content being six thousand cubic feet of natural gas to one barrel of crude oil. Oil and gas assets are evaluated in each reporting period to determine that the carrying amount in a cost centre is recoverable and does not exceed the fair value of the properties in the cost centre.

The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, plus the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

(ii) Asset Retirement Obligation

Since inception the Company follows the new accounting standard for asset retirement obligations. Under the new standard, the Company is required to record a liability equal to the fair value of the estimated cost to retire

1. Summary of Significant Accounting Policies (continued)

an asset. The asset retirement liability must be recorded in the period in which the obligation meets the definition of a liability, which is generally when the asset is placed in service. When the liability is initially recorded, the Company will increase the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related long-lived asset. Any difference between costs incurred upon settlement of an asset obligation and the recorded liability will be recognized as a gain or loss in the Company's earnings.

(iii) Office Furniture, Equipment and Leaseholds

Office furniture and equipment is depreciated on a declining-balance method at annual rates of 20% to 50%. Leasehold improvements are depreciated over the remaining lease term.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are measured based upon the temporary differences between the carrying values of assets and liabilities and their related income tax basis. Income tax expense (recovery) is computed based on the change during the year in the future income tax assets and liabilities. Future income tax assets are recognized to the extent it is more likely than not that sufficient future taxable income will be available to allow the future income tax assets to be realized. Effects of the changes in tax laws and tax rates are recognized when substantively enacted. A valuation allowance is recorded against any future tax assets if it is more likely than not that the asset will not be realized.

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Flow-through Shares

The Company may finance a portion of its exploration and development activities through the issuance of flow-through common shares. Under the terms of the flow-through share agreements, the resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company provides for the future effect on income taxes related to flow-through shares as a charge to share capital and future income tax liability when the qualifying expenditures are incurred.

Goodwill

Goodwill is the residual amount that results when the purchase prices of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values.

1. Summary of Significant Accounting Policies (continued)

Goodwill is not amortized and is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicated that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared to its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the reporting segment's goodwill exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of the goodwill is determined in a business combination described in the previous paragraph, using the fair value of the reporting segment as if it were the purchase price. When the carrying amount of reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

Stock Based Compensation

The Company follows the fair value method of accounting for stock options and other stock based compensation. Under this method, the Company calculates a fair value of the stock option or stock based award using an option pricing model and records the expense to earnings over the estimated expected life of the option or award. Consideration paid on the exercise of the stock option or award is credited to share capital.

Revenue Recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids are recorded on a gross basis when title transfers to an external party. Where transportation fees are incurred for the delivery of these products to market, they have been deducted from the applicable revenues.

Per Share Information

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if options and warrants to purchase common shares were exercised. Diluted loss per share is calculated using the treasury stock method to determine the dilutive effect of stock options and warrants. The treasury stock method assumes that proceeds from the exercise of "in-the-money" stock options and warrants are used to re-purchase common shares at the prevailing market price.

2. Plan of Arrangement

Pursuant to the plan of arrangement between Crescent Point, Tappit and StarPoint, Crescent Point transferred interests in certain petroleum and natural gas properties ("Retained Assets") to StarPoint in exchange for common shares in StarPoint and assumed debt. On September 5, 2003, the closing of the plan of arrangement, the common shares of StarPoint held by Crescent Point were distributed to the shareholders of Crescent Point on a one for two basis.

The following summarizes the transfer of the Retained Assets which were initially recorded at Crescent Point's net book value as StarPoint and Crescent Point were related parties. The results of the operations of the Retained Assets were included from September 5, 2003.

Net assets acquired and liabilities assumed	
Petroleum and natural gas properties	\$ 10,401
Asset retirement obligation	(52)
	\$ 10,349
Consideration rendered	
Issuance of 16,608,013 common shares	\$ 6,417
Assumed accounts payable and accrued liabilities	3,932
	\$ 10,349

3. Business Combinations

On November 7, 2003 the Company acquired all of the outstanding shares of Cougar, a private company involved in the exploration, development and production of oil and gas in Western Canada. The acquisition was accounted for using the purchase method of accounting as follows:

Consideration	
Cash	\$ 44,012
Transaction costs	999
Total cash consideration	45,011
Issue of 7,472,045 common shares	21,295
Total consideration	66,306

3. Business Combinations (continued)

Purchase Price	
Property and equipment	\$ 53,932
Goodwill	31,303
Working capital	1,620
Bank debt	(9,155)
Asset retirement obligation	(974)
Future income taxes	(10,420)
	66,306

On October 31, 2003 the Company acquired all of the outstanding shares of X-Terra, a private company involved in the exploration, development and production of oil and gas in Western Canada. The acquisition was accounted for using the purchase method of accounting as follows:

Consideration	
Cash	\$ 4,876

Purchase Price	
Property and equipment	\$ 8,667
Goodwill	461
Working capital	(25)
Bank debt	(1,177)
Asset retirement obligation	(969)
Future income taxes	(2,081)
	4,876

4. Property and Equipment

	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 80,569	\$ 2,122	\$ 78,447
Administrative assets	306	20	286
	80,875	2,142	78,733

During the period ended December 31, 2003 the Company has excluded the cost of unproven properties of \$9,682,000 from the depletion and depreciation calculation. Future development costs of \$14,224,000 were included in the calculations.

During the period ended December 31, 2003 the Company capitalized \$557,000 in overhead-related costs directly related to the petroleum and natural gas properties.

As a result of adopting the new accounting standard relating to asset retirement obligations, the Company recorded an asset retirement obligation liability totalling \$2,052,000 and a corresponding amount resulting in an increase to petroleum and natural gas properties. Accretion of the asset retirement obligation totalling \$39,000 was charged during the period ended December 31, 2003.

The Company performed a ceiling test calculation at December 31, 2003 to assess the recoverable value of the property and equipment. The oil and gas future prices are based on the January 1, 2004 commodity price forecast of our independent reserve evaluators. These prices have been adjusted for commodity price differentials specific to the Company. Benchmark price and exchange assumptions used were as follows: 1) WTI Oil (\$US/bbl) year 2004 – \$29.63; year 2005 – \$26.80; year 2006 – \$25.76; years 2007 to 2014 – 1.5% escalated thereafter; 2) Edmonton Light Crude Oil (\$Cdn/bbl) year 2004 – \$37.99; year 2005 – \$34.24; year 2006 – \$32.87; years 2007 to 2014 – 1.5% escalated thereafter; 3) AECO Gas (\$Cdn/Mmbtu) year 2004 – \$6.04; year 2005 – \$5.36; year 2006 – \$4.80; year 2007 – \$4.91; years 2008 to 2014 – 1.5% escalated thereafter and; 4) Foreign Exchange Rate – (\$US/\$Cdn) – \$0.75 for all years. Based on these assumptions, the undiscounted value of future net revenues from Company's proved reserves exceeded the carrying value of property and equipment at December 31, 2003.

5. Bank Loan

On December 31, 2003, the Company had a \$23,000,000 demand loan facility. The facility bears interest at the bank's prime rate per annum. The Company has pledged as collateral a \$100,000,000 first priority floating charge demand debenture over all the assets of the Company. At December 31, 2003, \$7,411,000 had been drawn on this facility. On January 27, 2004 the demand loan facility was increased to \$75,000,000 (see Note 12).

6. Share Capital

(i) Authorized

An unlimited number of common voting shares.

(iii) Issued and Outstanding Common Shares

	Number of shares	Amount
Balance at July 22, 2003, date of incorporation	100	–
Initial shares redeemed for cash	(100)	–
Issued on completion of the plan of arrangement (Note 2)	16,608,013	6,417
Private placement issued for cash	8,831,789	6,000
Shares issued for cash	16,800,000	42,168
Issued on acquisition of Cougar	7,472,045	21,295
Issued pursuant to private placement of flow-through shares (net of future income tax totalling \$1,278)	2,381,000	8,722
	52,092,847	84,602
Share issue costs (net of future income tax totalling \$1,087)		(1,809)
	52,092,847	82,793

Effective August 29, 2003, the Company completed a private placement to directors, officers, employees and nominees of StarPoint for the issue of 8,831,789 common shares for proceeds of \$6,000,000 (no share issue costs incurred). The private placement was approved August 21, 2003 at the special shareholders meeting to approve the Plan of Arrangement involving the transfer of assets to StarPoint from Crescent Point.

The private placement included the issue of 2,593,332 flow-through common shares totalling \$1,945,000. The Company has met its commitment in exploration capital expenditures of \$1,945,000 at December 31, 2003.

Effective September 30, 2003, the Company completed an equity issue of 16,800,000 common shares for gross proceeds of \$42,168,000. Share issue costs of \$2,268,000 were incurred resulting in net proceeds of \$39,900,000.

Effective November 7, 2003, the Company issued 7,472,045 common shares at \$2.85 per share plus cash for the acquisition of all of the outstanding shares of Cougar. See Note 3.

6. Share Capital (continued)

Effective December 3, 2003, the Company issued 2,381,000 flow-through common shares for gross proceeds of \$10,000,000. Share issue costs of \$601,000 were incurred resulting in net proceeds of \$9,399,000. In order to satisfy the flow-through requirements, the Company is committed to exploration capital expenditures of \$8,552,000 by December 31, 2004.

(iii) Stock Based Compensation

The Company measures compensation costs associated with stock based compensation using the fair value method and that cost is recognized over the vesting period of the underlying security as an expense with a corresponding amount recorded as contributed surplus. The fair value of each stock option is determined at each issue or grant date using the Black-Scholes model with the following assumptions: risk free interest rate 4.5%, expected life two years and volatility 50%.

Total stock based compensation incurred in the period was \$733,000 of which \$242,000 was capitalized as an overhead directly related to the petroleum and natural gas properties.

(iv) Options

At December 31, 2003 the following options are outstanding:

	2003 Number of options
Outstanding at beginning of period	—
Granted	2,214,500
Outstanding at end of period	2,214,500

6. Share Capital (continued)

Exercise price	Number	Options outstanding	
		Weighted average remaining contractual life	Weighted average exercise price
\$2.76 – \$3.25	2,115,000	2.7	2.81
\$3.32 – \$4.32	99,500	2.9	3.46
	2,214,500	–	–

The weighted average fair value per option issued in the year was \$0.86.

7. Per Share Amounts

The calculation of basic and diluted net loss per share is based on the weighted average number of common shares outstanding as shown in the table below:

	Period ended Dec. 31, 2003
Net loss	\$ (551)
Net loss per share	
Basic	\$ (0.01)
Diluted	\$ (0.01)
Weighted average shares outstanding	
Basic	40,849,045
Diluted	40,867,039
Common shares outstanding December 31, 2003	
Basic	52,092,847
Diluted	54,307,347

8. Income Taxes

The provision for income taxes in the statement of operations differs from that which would be expected by applying the applicable statutory tax rates. Differences for the period ended December 31, 2003 are as follows:

	Period ended Dec. 31, 2003
Income (loss) before taxes	\$ (292)
Statutory income tax rate	41.87%
Expected income taxes	(122)
Effect on income taxes of:	
Non-deductible Crown charges	388
Resources allowance	(275)
Stock based compensation	206
Other	(48)
Capital taxes	110
	\$ 259

The components of the Company's future income tax liability are as follow:

Property, plant and equipment	\$ 12,650
Flow-through shares	1,278
Share issue costs	(1,087)
	\$ 12,841

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9. Supplemental Cash Flow Information

(i) Changes in Non-Cash Working Capital

	Period ended Dec. 31, 2003
Decrease (increase) in non-cash working capital	
Account receivable	\$ (13,204)
Accounts payable and accrued liabilities	16,069
Change in non-cash working capital	\$ 2,865
Relating to:	
Operating activities	(1,445)
Investing activities	4,310
Change in non-cash working capital	\$ 2,865

(ii) Other Cash Flow Information

	Period ended Dec. 31, 2003
Cash taxes paid	-
Cash interest received	\$ 75

10. Commitments

The Company has various commitments and guarantees through the ordinary course of business.

The Company is committed to the following approximate payments under an operating lease for office space:

Year	
2004	\$ 748
2005	\$ 730
2006	\$ 725
2007	\$ 482
2008	\$ 361

The above commitments include an estimate of the Company's share of operating expenses, utilities and taxes for the duration of the office lease.

11. Financial Instruments

(i) Risk Management

The nature of the Company's operations result in exposure to fluctuations in commodity prices, exchange rates and interest rates. The Company monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these risks. The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. The Company deals only with major financial institutions and does not anticipate non-performance by the counterparties.

The Company had the following gas costless collar outstanding at December 31, 2003:

	Price (Gj/d)	(\$Cdn/Gj)	Index
Nov 1, 2003 to Oct 31, 2004	2,000	4.03 – 7.63	AECO

The fair value of the costless collar at December 31, 2003 was nil.

The Company has entered into the following gas costless collar subsequent to December 31, 2003:

Nov 1, 2004 to Mar 31, 2005	2,000	6.00 – 8.00	AECO
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11. Financial Instruments (continued)

The Company has entered into the following fixed price gas hedges subsequent to December 31, 2003:

	Volume (Gj/d)	Price (\$Cdn/Gj)	Index
Jan 1, 2004 to Mar 31, 2004	1,000	7.36	AECO
Apr 1, 2004 to Oct 31, 2004	2,000	5.90	AECO

The Company has entered into the following fixed price oil hedges subsequent to December 31, 2003:

	Volume (bbl/d)	Price (US\$/bbl)	Index
Jan 1, 2004 to Dec 31, 2004	2,000	29.00	US\$WTI
Jan 1, 2004 to Dec 31, 2004	500	30.02	US\$WTI
Jan 1, 2005 to Dec 31, 2005	500	30.30	US\$WTI
Jan 1, 2005 to Dec 31, 2005	500	41.75 CDN\$	US\$WTI

(ii) Fair Values

The carrying values of accounts receivable, accounts payable and accrued liabilities approximated their fair values as at December 31, 2003 due to their short-term nature.

12. Subsequent Events

- (a) On January 27, 2004 the Company closed an arrangement agreement pursuant to which the Company acquired all of the issued and outstanding shares of Upton Resources Inc. "Upton" on the basis of 1.1 common share of StarPoint for each common share of Upton. As a result, the Company issued 23.7 million common shares for approximately \$76,000,000.
- (b) On January 27, 2004 StarPoint increased its loan facility with its lender to \$75,000,000.
- (c) On January 30, 2004 StarPoint closed an equity issue of 4,500,000 common shares at a price of \$4.35 per share for gross proceeds of \$19,575,000.

Corporate Information

Directors

Jim Bertram ^{(2) (4)}

Paul Colborne ⁽⁴⁾

Fred Coles ^{(1) (2) (3)}

Kenney Cugnet ^{(1) (3) (4)}

Ian Dundas ^{(1) (3)}

Robert G. Peters ^{(1) (2) (3)}

James M. Pasieka

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Compensation Committee

⁽³⁾ Member of the Reserves Committee

⁽⁴⁾ Member of the Health, Safety and Environment Committee

Officers

Paul Colborne

President

and Chief Executive Officer

Doug Clenchy

Vice-President, Exploration

Brett Herman

Vice-President, Finance

and Chief Financial Officer

Trent Yanko

Vice-President, Production

James M. Pasieka

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Evaluation Engineers

Sproule Associates Limited

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Financial Institution

Bank of Montreal

Calgary, Alberta

Legal Counsel

Heenan Blaikie LLP

Calgary, Alberta

Investor Relations

Transfer Agent and Registrar

Olympia Trust Company

Calgary, Alberta

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Investors are encouraged to contact our Transfer Agent and Registrar for information regarding their security holdings.

Stock Exchange and Symbol

The Toronto Stock Exchange

TSX: SPN

Investor Contact

Paul Colborne, President and CEO

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Abbreviations

Bbl barrel

Bblpd barrels per day

Mbbls thousand barrels

Mmbbls million barrels

Boe A Boe is a barrel of oil equivalent on the basis of 1 Boe to 6 Mcf of natural gas. Boes may be misleading, particularly if used in isolation. A Boe conversion ratio of 1 Boe for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Boepd barrels of oil equivalent per day

Bopd barrels per day

Mboe thousand barrels of oil equivalent

Mmboe million barrels of oil equivalent

Mcf thousand cubic feet

Mmcf million cubic feet

Mcfpd thousand cubic feet per day

Mmcfpd million cubic feet per day

Bcf billion cubic feet

Mmbtu million British Thermal Units

Gj gigajoule (trillion joules)

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